

---

---

**Report to  
The Vermont Legislature**

---

---

**UPDATE ON THE STATUS OF VERMONT'S  
CHILD CARE FINANCIAL ASSISTANCE PROGRAM**

**In Accordance with H. 441  
Section E.318 (2009)  
(9.10.09 JFO Minutes)**

**Submitted to:** Senate Committee on Health and Welfare  
House Committee on Human Services

**Submitted by:** Stephen R. Dale  
Commissioner  
Department for Children and Families

Reeva Murphy  
Deputy Commissioner  
Child Development Division

**Report Date:** April, 2010



---

**AGENCY OF HUMAN SERVICES  
Department For Children And Families**

# **UPDATE ON THE STATUS OF VERMONT'S CHILD CARE FINANCIAL ASSISTANCE PROGRAM**

**APRIL, 2010**

## **BACKGROUND**

Vermont has had a long history of being seriously out of compliance with federal guidelines around the structure of our child care financial assistance program. Eligibility guidelines were based on the federal poverty level in 2000 and reimbursement rates provided access for families receiving a maximum subsidy to only 41% of the care available in Vermont. Because of this, Vermont had compensated through an extraordinary number of variances and special arrangements. 25% of children received some type of special deal. 75% were subjected to the “regular” inadequate system.

In May of 2009, the Vermont legislature included a provision in the “big bill” allowing DCF to pursue planning for a significant overhaul of the child care financial assistance program. Implementation was contingent upon approval of the Joint Fiscal Committee in October. That approval was provided on October 6, 2009. An update on the impact of program changes was asked for in March 2010 and March 2011.

The planned changes were successfully implemented on January 3, 2010. This report outlines progress after only 3 to 4 months of operation.

## **ORIGINAL GOALS FOR RESTRUCTURING**

This change set out to achieve the following goals:

- Increase access, affordability, and quality of child care
- Align Vermont's rates and eligibility requirements with federal guidelines.
- Reinforce incentives to achieve quality
- Reinforce work incentives
- Create a more fair and equitable system for Vermont families.

## **BASIC ELEMENTS OF THE NEW SYSTEM**

The following changes were made on January 3 to achieve the goals.

- Updated the fee scale to the 2009 Federal Poverty Level (FPL), adjusting the upper income limit from 82.5% of 2000 state median income (SMI) to 200% of the 2009 FPL, effective January, 2010. See attachment A for new fee scale.
- Increased financial assistance rates for families to regulated facilities' based on STARS rating. New rates provide payment at the 75<sup>th</sup> percentile rate when a facility is between 4 and 5 stars. Rates in all categories are increased. STARS differentials are as follows:

<u>Base Rate</u>	
One Star	5% over base
Two Stars	10% over base
Three Stars	20% over base
Four Stars	30% over base
Five Stars	40% over base

See Attachment B for new rate schedule.

- Eliminated variances.
- Eliminated reserve spaces and infant/toddler grants. Maintained the current system of school age grants.

To help fund the new system and to assure a “soft landing” for providers and families who could be adversely affected by the changes as we seek a more fair and equitable system, the following changes were made:

- Created a Strengthening Families Grant Program to help high quality providers who work with high needs children and families and provide infant care to maintain program strength and continuity of care for children. A more complete description of the program is in Attachment C. Over time this program will be structured to be widely available to programs which meet the particular criteria. In the first 18 months, the program is prioritizing programs which are losing reserved spaces agreements and infant/toddler grants. Those programs meet all quality standards, must provide the quality and quantity of services described in the description, and have shown a financial need for grant assistance based on the implementation of the new system. This is not an entitlement or a guarantee of a certain funding level.
- Changed the rate differential for Protective Services/Family Support/Special Health Needs from 15% of the base rate to 7% of the actual rate for a particular child. This change has reinforced the quality system because the latter figure is compounded on the quality differential. It also reduces the overall amount paid for these differentials as one means of diverting dollars into the overall system.

- Provided a “soft landing” for families adversely affected. Because of reserved spaces and variances, 288 families had been receiving benefits significantly in excess of what they were entitled. If the new system resulted in an increase in family co-pay of more than \$20 per week, the increase was capped at \$20/week until the end of June, 2010 to help prevent sudden disruption in the continuity of care.

## **RESULTS**

It is very early in the process to make definitive statements about the impact of the system changes. However, here are some basic facts and some early indications of success.

### ***Increased benefits for families***

- Benefits were adjusted for 7,669 children currently receiving assistance in January 2010
- Benefits increased for 7381 children by at least 10% - average increase was 13%
- 1000 children (13%) increased from less than 100% benefit to 100% benefit

### ***Increased access & affordability for high quality child care services***

- 3% increase in overall number of assisted children as compared to 2009 (7,999 children in March 2009 compared to 8,155 children in March 2010)
- Increasing enrollment of assisted children in STARS rated programs from 26% to 32%.

Percent of children receiving financial assistance enrolled in STARS programs						
	LECC* & Unrated	1 ★	2 ★★	3 ★★★	4 ★★★★★	5 ★★★★★★
March 2009	74%	2%	3%	5%	7%	9%
March 2010	68%	3%	3%	6%	8%	12%

*\*Legally Exempt Child Care providers paid in Financial Assistance Program*

### ***Increased provider quality***

- Early indications are that providers have increasing interest in pursuing STARS. The percentage of regulated providers in the STARS program has increased from 20% to 23%.

Percent of regulated programs receiving financial assistance payments by STAR rating						
	Unrated*	1 ★	2 ★★	3 ★★★	4 ★★★★★	5 ★★★★★★
March 2009	80%	1%	2%	5%	7%	5%
March 2010	77%	1%	1%	6%	9%	6%

*\* Registered Homes and Licensed Programs only – no LECC included*

### ***Alignment with federal guidelines***

- The changes in and of themselves bring Vermont into close alignment with federal guidelines relative to child care financial assistance. Although the legislation authorizing these changes did not commit to future system adjustments, the system is very current in that the official federal poverty level (FPL) guidelines did not increase for 2010.

### ***Financial sustainability***

- The system changes have been made within the FY'10 appropriation and appear to be sustainable moving into FY'11.

FY'09 Budget	FY'10 Budget	FY'10 Projection	FY'11 Budget
\$35,776,317	\$39,952,560	\$ 39,800,000	\$40,507,560

### **OTHER IMPACTS**

The request for a report asked us to comment on several other areas:

- Provider ability to serve families with special or greater needs
- Provider ability to offer infant/toddler care
- Provider rate increases
- Providers being placed at financial risk

The system change is very new. It is safe to say that the transition to the new system has gone quite smoothly. We are not aware of large scale problems caused by the change. We have no indication that the changes have adversely affected the ability of providers to meet the requirements of children with special needs. We are not aware of providers who have ceased offering infant/toddler care. We are not aware of any providers who have been financially destabilized by the new system. Over 800 providers have increased their base rates to the new state base rate in order to fully participate in the new structure. We are not aware of any adverse affects of those changes.

DCF/CDD will submit an updated report in March, 2011. Prior to that report, we will conduct a thorough analysis of the impact of the system on parents and providers, including surveys and focus groups.

### **ONGOING CHALLENGES**

The changes in the system represent a significant step forward for Vermont. They do not, however, fully “solve” the issues of access, affordability, and quality. We will continue to monitor the results of the changes we have made. Some areas we know need continuing attention are the following:

*Assistance for providers in pursuing quality*—There is widespread support for the significant quality incentives built into the system. At the same time there have been concerns that many providers do not have the resources to pursue STARS rankings or accreditation. DCF is working through Building Bright Futures and philanthropic organizations to help create a resource pool to better support pursuit of quality by providers.

*System maintenance*—This system realignment has been important to correct problems and inequities which had developed over time. It is important that Vermont not let the system again get out of alignment over time through inattention. The following areas need to be attended to over the next year or two:

Continued attention to updating the fee scale and rates. The legislative action which enabled this change did not commit to future adjustments. This issue will need to be debated each year. For FY'11, the system established is absolutely current. The federal government has held level its official 2010 federal poverty level. Vermont is not due for a rate survey until the fall of 2011. However, each year, beginning in FY'12, we need to consider keeping the system current.

Revisiting of the Strengthening Families Grants program to assure they are accomplishing their intended purpose, to reassess the need for the program, and to assure over time that if the program continues, there is broader access.

*Continued attention to the structure of the fee scale.* The system adjustments have significantly improved the benefits for most enrolled families. However, the structure of the fee scale continues to step people down somewhat more rapidly than is ideal in order to provide maximum incentive for entering the workforce. As state finances allow in the future, that issue needs continued consideration.

# Child Care Financial Assistance

## Attachment A: Proposed Financial Assistance Fee Scale - January 2010

### Child Care Financial Assistance Based on Gross Monthly Income & Family Size

% of Financial Assistance Paid by State	Family of 3 or less	Family of 4	Family of 5	Family of 6 or More
100	\$1,525	\$1,837	\$2,149	\$2,461
99	\$1,564	\$1,884	\$2,203	\$2,524
98	\$1,603	\$1,930	\$2,259	\$2,586
97	\$1,643	\$1,978	\$2,314	\$2,651
96	\$1,681	\$2,025	\$2,369	\$2,713
95	\$1,733	\$2,088	\$2,443	\$2,798
90	\$1,805	\$2,175	\$2,544	\$2,914
85	\$1,878	\$2,261	\$2,644	\$3,029
80	\$1,955	\$2,355	\$2,755	\$3,156
75	\$2,033	\$2,449	\$2,865	\$3,281
70	\$2,111	\$2,544	\$2,976	\$3,408
65	\$2,190	\$2,638	\$3,085	\$3,534
60	\$2,268	\$2,731	\$3,196	\$3,660
55	\$2,346	\$2,827	\$3,306	\$3,786
50	\$2,425	\$2,920	\$3,416	\$3,913
45	\$2,503	\$3,015	\$3,526	\$4,038
40	\$2,581	\$3,109	\$3,637	\$4,165
35	\$2,660	\$3,203	\$3,747	\$4,292
30	\$2,737	\$3,298	\$3,857	\$4,418
25	\$2,815	\$3,392	\$3,967	\$4,543
20	\$2,893	\$3,486	\$4,078	\$4,670
15	\$2,972	\$3,581	\$4,187	\$4,797
10	\$3,050	\$3,674	\$4,298	\$4,922

# Child Care Financial Assistance

## Attachment B: Proposed Rate Schedule - January 2010

- Rates indicate 100% financial assistance
- Rates for legally exempt providers remain the same

### Full-Time Child Care in Licensed Centers

Age Category	Current Base Rate	Proposed Base Rate	1★ + 5%	2★★ +10%	3★★★ +20%	4★★★★ +30%	5★★★★★ +40%
Infant	\$129.22	\$137.14	\$144.00	\$150.86	\$164.57	\$178.29	\$192.00
Toddler	\$128.15	\$133.43	\$140.10	\$146.77	\$160.11	\$173.46	\$186.80
Preschool	\$114.14	\$129.60	\$136.08	\$142.56	\$155.52	\$168.48	\$181.44
School Age	\$111.36	\$125.71	\$132.00	\$138.29	\$150.86	\$163.43	\$176.00

### Full-Time Child Care in Registered Child Care Homes

Age Category	Current Base Rate	Proposed Base Rate	1★ + 5%	2★★ +10%	3★★★ +20%	4★★★★ +30%	5★★★★★ +40%
Infant	\$104.00	\$114.29	\$120.00	\$125.71	\$137.14	\$148.57	\$160.00
Toddler	\$102.96	\$102.86	\$108.00	\$113.14	\$123.43	\$133.71	\$144.00
Preschool	\$89.30	\$98.86	\$103.80	\$108.74	\$118.63	\$128.51	138.40
School Age	\$89.30	\$95.14	\$99.90	\$104.66	\$114.17	\$123.69	\$133.20

# Child Care Financial Assistance

## Attachment C: Strengthening Families Grants

Center based programs will be offered a new opportunity to apply for a limited pool of funds which will be awarded annually by Child Development Division (CDD) as Strengthening Families Grants.

This program will be developed to ensure affordable access to high quality comprehensive programs for children and families challenged by economic instability and other environmental risk factors. They will also focus on maintaining a supply of high quality infant-toddler care. In SFY 2010 and 2011, the priority for this program is to ensure stability for those Licensed Centers transitioning from reserved spaces agreements and infant toddler grants into the new Financial Assistance Program structure and to ensure continuity of care for those children and families who traditionally have received services and assistance in reserved spaces.

In subsequent years the program will be open to all Licensed Centers who meet established criteria and agree to provide all or some of the comprehensive services requested by the CDD. In fall, 2009 Licensed Centers currently participating in either reserved spaces agreements or infant-toddler grants will be invited to apply for grants which will be awarded beginning January 2010. Those who meet established criteria and agree to provide requested services for children and families will receive funding allocations based on size, enrollment and capacity to deliver services.

### ***Criteria: All programs must meet these criteria to receive a grant in this program***

- Participation in Child Care Financial Assistance program
- Enrollment in STARS with rating of 4 or 5 stars
- Committed to an enrollment of Child Care Financial Assistance Program supported children as 30% of enrollment census – if this is not true at time of application, programs will be asked to submit an outreach plan to meet this goal
- Approved as Specialized Services Providers
- Provide full day/full year services

### ***Priorities: These priorities will be considered in selecting grantees and allocating funds.***

- Former participation in reserved spaces agreements or infant toddler grants
- Regional child care supply and demand
- Serve infants and toddlers
- Commitment to serve populations of children and families identified as at particular risk including refugee children and teen parents
- Ability to provide a range of comprehensive services to children and families
- Demonstrated commitment to primary prevention strategies that support and strengthen families

### ***Requested Services: Participating programs must commit to provide some or all of these comprehensive services for children and families.***

- Accept Child Care Financial Assistance Program Maximum Rate as full payment for child care services provided to families receiving 100% of Child Care Financial Assistance Program benefit
- Support continuity of care and regular attendance for enrolled children
- Engage families as active participants in early care and education and school age programs
- Empower families as informed caregivers and advocates for their children
- Support for children's health (including ensuring a medical home for every child) and mental health
- Collaborate with Registered Child Care Homes
- Nutrition services
- Engage in collaborative community relationships such as Building Bright Futures Regional Councils
- Collaborate with local Children's Integrated Services Teams and service providers
- Provide inclusive early care and education or school age services